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VIA ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Notice of *Ex Parte* Presentation in WC Docket Nos. 10-90; 14-58; 07-135;
and CC Docket No. 01-92.

Dear Ms. Dortch:

On October 4, Peñasco Valley Telephone Cooperative, Inc. (PVT) met with Suzanne Yellen, Christian Hoeffly, Jesse Jachman, and Stephen Wang of the Wireline Competition Bureau. Glenn Lovelace, CEO; Kurt Garrard, CFO; Ian Brumana, Controller; Mary Sisak, counsel; and the undersigned attended the meeting on behalf of PVT. In the meeting, PVT discussed the impact of the Budget Control Mechanism (BCM) and the Rural Growth Factor (RGF) on companies like PVT, as well as various proposals in the Commission's proceeding on Rate-of-Return reform. PVT also discussed its concerns about the Commission's speed testing requirements with the above-identified FCC staff except Jesse Jachman.

PVT provided a description of its service area, highlighting the incredibly sparse population (1/2 person per square mile) and the extremely high cost associated with laying fiber (averaging \$100,000 per mile, and up to \$150,000 per mile in rocky terrain). PVT estimated it would cost approximately \$15 million to bring 25/3 service to 75% of its customers and 25/1 service to 90% of its customers. However, PVT estimated that it would cost approximately \$30 million to bring 25/3 service to 90% of its customers.

First, PVT discussed Attachment A and detailed the current and potential future impact of the BCM and the RGF on PVT and other carriers, if left unchecked.¹ PVT also discussed certain proposals in the record on how to improve the Commission's funding mechanisms and their impact on PVT. To this end, PVT strongly supported a threshold support level of 95%, as adjusted for inflation,² as it would allow the company to meet its loan obligations and to continue building out broadband. PVT also expressed support for the NTCA proposal to use a three-year trailing average.³ PVT stated that the 90% threshold proposed by WTA⁴ would only enable PVT to maintain, not expand, its network. PVT also discussed the proposals to eliminate the RGF entirely,⁵ or to modify it to remove the line-loss factor,⁶ and suggested freezing it at the 2016 level.

Second, PVT discussed its concerns about the Commission's speed testing requirements. Specifically, PVT discussed the 100% success requirement for "full compliance," and noted that this requirement does not take into consideration hardware failures, acts of God, acts of nature, power outages, vandalism, customer error, or other factors outside the ISP's control. To address these issues, PVT proposed a high percentage benchmark, but less than 100%, to account for variables outside the ISP's control. PVT also supported the inclusion of a way for carriers to rectify a failure, such as reporting root cause analysis and actions taken, and an opportunity to retest.

PVT also discussed the limitations on its control of the path that data travels and the issues that fact creates for speed testing. In PVT's case, outgoing internet traffic is routed from PVT's central office along one of three routes to ISP peering datacenters, where it then reaches the internet. PVT uses standard network routing protocols to determine the most efficient route for traffic to access the internet, but once the traffic leaves PVT's network it is subject to potentially inefficient routing, hops, and latency degradation. Furthermore, PVT is not able to control which of the three ISP peering datacenters incoming internet traffic may arrive at, which can also impact performance. To address this issue, PVT proposed endpoint testing to the ISP internet peering carrier hotel/datacenter.

¹ Attachment A.

² Comments of the Blooston Rural Carriers, WC Docket No. 10-90, et. al., at p. 8 (filed May 25, 2018).

³ Comments of NTCA-The Rural Broadband Association, WC Docket No. 10-90, et. al., at p.36 (filed May 25, 2018).

⁴ Comments of WTA – Advocates for Rural Broadband, WC Docket No. 10-90, et. al., at p. 3 (filed May 25, 2018).

⁵ Blooston Rural Carriers at p. 8-9; Comments of the Concerned Rural LECs, WC Docket No. 10-90, et. al., at pp. 2-3 (filed May 25, 2018); Comments of the Small Carrier Coalition, WC Docket No. 10-90, et. al., at pp. 2-3 (filed May 25, 2018)(proposing to eliminate the BCM and the RGF and building a new budget from the ground up).

⁶ Reply Comments of GVNW Consulting, Inc., WC Docket No. 10-90, et. al., at p. 19 (filed June 25, 2018).

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS. If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sal', with a stylized flourish at the end.

Salvatore Taillefer, Jr.

Counsel to

Peñasco Valley Telephone Cooperative, Inc.

CC: Suzanne Yellen
Christian Hoefly
Stephen Wang

Gross Potential Impact of RGF + BCM

High Cost Loop Support at \$647.87 NACPL

\$ 1,000,000

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
HCLS Prorata Adj Factor	82.23%	76.06%	70.36%	65.08%	60.20%	55.68%	51.51%	47.64%	44.07%	40.77%
*Trending using 7.5% annual decrease										
Adjusted HCLS \$1 Million Before Budget Control Mechanism	822,269	760,599	703,554	650,787	601,978	556,830	515,068	476,438	440,705	407,652
BCM 9%	748,265	692,145	640,234	592,216	547,800	506,715	468,712	433,559	401,042	370,963
BCM 25%	616,702	570,449	527,666	488,090	451,484	417,623	386,301	357,329	330,529	305,739



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